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SUBJECT: EGYPT/ISRAEL: READOUT OF 16TH QUARTERLY MEETING OF  
THE QUALIFIED INDUSTRIAL ZONES (QIZ)

¶1. Egypt and Israel met on two separate occasions for the 16th quarterly Joint Committee meeting of the Qualified Industrial Zones (QIZ) - February 19 and 26 in Jerusalem. The first meeting on February 19 was suspended by the Egyptians, who indicated at the time that their action was in response to the breakdown in negotiations on a ceasefire in Gaza. Later, press reports would quote the Egyptians as saying that the suspension was due to "technical issues." The Joint Committee reconvened on February 26 and found four Egyptian companies not in compliance with the QIZ protocol. There was also a brief discussion on the recent addition of companies located in Upper Egypt. According to the minutes, "the Committee will consider the application of the approved companies in these areas for issuing the required QIZ certificate." Finally, the Committee renewed certificates for 496 companies working under the QIZ and approved the addition of seven new companies.

THE EGYPTIANS LEAVE...

¶2. The Committee had met for about an hour when the Egyptians announced they had to suspend the meeting immediately. Sayed Elbous, the Egyptian Co-Chairman, stated that this was likely a political decision, taken by the Egyptian Ministry of Foreign Affairs to express displeasure over the Israeli position during ongoing negotiations for a ceasefire in the Gaza Strip. Later press reports would quote the Egyptians as stating the suspension was due to a "technical issue."

¶3. During the brief meeting, there was a discussion on the recent addition of Upper Egyptian companies from the regions of Beni Suief and Al-Minya to the QIZ program. The Egyptian delegation stated that the list of companies they had proposed for the Upper Egypt expansion was a hypothetical list mostly consisting of subsidiaries of well-known Egyptian textile companies. These companies still had to undergo an approval process by the joint committee. Israeli Co-Chairman Gabi Bar indicated that he wants to set up a visit to Upper Egypt at the time of the next quarterly meeting in May to view the prospective companies.

...AND THEN THEY CAME BACK

¶4. According to Gabi Bar, an outcry from Egyptian companies to the Israeli Embassy in Cairo and the Egyptian Ministry of Foreign Affairs over the suspension of the meeting resulted in reconvening again the following week. The Egyptian companies stood to lose significant amounts of money if denied duty-free trade access to the United States, since the certificates for the companies had not been renewed at the February 19th meeting. In fact, Bar said the Egyptians wanted to meet on Sunday the 21st of February, only two days after the meeting had been suspended, but the GOI's prior commitments made such a meeting impossible.

15. At the February 26 meeting, the annual certificates for 496 companies working under the QIZ were renewed and seven new companies were added. Four companies were deemed non-compliant with QIZ regulations. Statistics indicate a decline of 10 percent of total QIZ exports to the United States this quarter as compared to the last, which both delegations attributed to the economic crisis.

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